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Teaching Children to Save

Teaching your kids to save is an important part of parenting. Kids can learn the principles of saving at even a young age. Children get money for birthdays, holidays, odd jobs and/or allowances. Help your children resist their urge to spend the money immediately by showing them the long-term benefits of saving. Help them pick an item that would take a few months to save for. Make saving exciting and kids will be more willing to hold onto their money.

Options for Saving

- Save a percentage of the money they make in a week
- Save spare change
- Match your child's savings

Teaching kids to save early and often should help them keep the habit when they go out on their own. They can save 10% or more of their allowance or all the change they have (and only spend dollar bills). If you have the money to match their savings (even if you put in 10¢ to their \$1) this will give them a bigger incentive to squirrel away their dollars.

Where to Save

Younger children often do not understand the concept of banks. They may see banks as an institution that takes money but does not give it back. You can help your child save money by starting at home. Use a piggy bank, a glass jar, or even a plastic bag where they can see their money grow. Once the child has a small base of money you might want to open a savings account in his or her name. Find the right bank and the right savings account and take you child to the bank. Illustrate how you make deposits and that you can withdraw the money (though not the same exact dollar bills) you put in the bank account. Most banks require a parent or guardian to co-sign on the account. Also, your child may not be able to withdraw money without your signature. You may have to be their personal banker until they turn 18.

Force or Free Will?

Even with the best motivation, some kids may not save their money willingly. In this case you can let them empty their piggy bank and see how they feel when they look at the empty jar. This might be enough to make them think twice the next time. You can also require that they save a portion of their money. If you give them an allowance, you can withhold the amount you want the child to save. After a few months, show the child how much you have saved for him or her. It is not unreasonable to require they save a portion of money for the future. After all, you are the parent.

Withdrawals?

Kids need to understand why they are saving and usually that means eventually getting something tangible for holding onto their money. As parents, you need to decide if you want your child's savings account to be for future needs or just to teach them the concept of saving. If a child only puts a percentage of money into savings, then he or she could use the other portion of money to purchase items he or she wants. The child can even have a separate piggy bank to save the other money for a bigger purchase. If this does not sound fair, try setting a minimum balance on the child's savings account. They can withdraw money as long as their balance stays above \$100, for example.